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C O N F I D E N T I A L TEL AVIV 002343

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E.O. 12958: DECL: 10/23/2019

TAGS: [EAID](#) [EFIN](#) [PREL](#) [KPAL](#) [IS](#)

SUBJECT: BOI-PMA BANKING MEETING HELD

REF: TEL AVIV 2003

Classified By: Economic Counselor David R. Burnett; reasons 1.4 b/d

11. (C) Dudu Zaken, Assistant Supervisor of Banks at the Bank of Israel (BOI), informed EconOff that a bilateral Israeli-Palestinian banking meeting was held on 21 October. Surplus cash in Palestinian banks was a primary topic of discussion. In mid-August, the BOI allowed deposit of 300 million shekels into Bank HaPoalim's account in Israel's central bank. According to Zaken, soon thereafter, the Palestinians requested that another 400 million shekels be deposited. With the request still pending, in the October 21 meeting, the Palestinians asked that the amount be raised to 600 million shekels. Zaken told Jiad Al-Wazir, Governor of the Palestinian Monetary Authority (PMA), that the BOI would need an explanation as to the increasing amount of surplus shekels in Palestinian banks before approving this request. Zaken does not understand why there is such a large surplus of cash in the West Bank given current economic indicators. He said that the GOI was willing to take action in August due to the emergency nature of the surplus cash. However, he emphasized that the Bank of Israel is not a commercial bank and will not accept routine regular deposits from the Palestinians under normal circumstances.

12. (C) The plan for providing social security payments to entitled Gazans was also discussed, though Zaken noted continuing difficulties on the Palestinian side in moving forward.

13. (C) Econoff plans to receive a full readout of the meeting, along with any follow-up, early next week from Zaken, Yacov Peled, Head of BOI's Institutional Evaluation Unit, and Paul Landes, Legal Counsel to the Israel Money Laundering and Terror Financing Prohibition Authority (IMPA). Zaken was optimistic that by then, the PMA might provide an explanation behind the surplus cash.

14. (C) Comment: Embassy views the continuation of this dialogue as encouraging, especially in light of the current political situation. We are pleased that the GOI has moved beyond the former sticking point of a Palestinian response to its technical questions (see ref) to address more pressing topics of concern.
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